

It Pays to be Older

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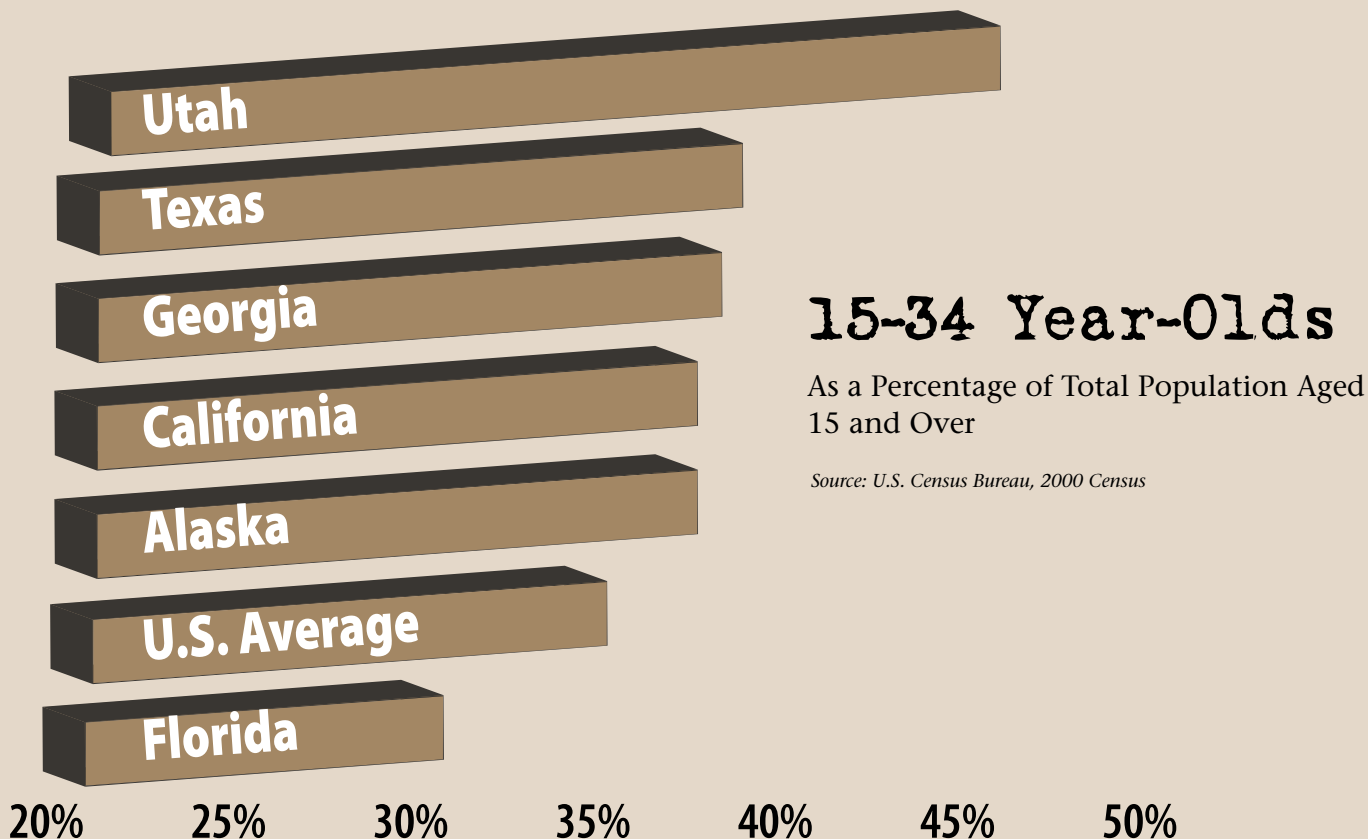
Wages are one of the variables that can be illuminated with the new Local Employment Dynamics (LED) data. Wage levels seem to draw a lot of attention in Utah, for the dual reason that wages are how most of us make a living, and much talk surrounds the statistics that suggest Utah's wage levels are much lower than national wage levels.

It's true that Utah's wage levels are lower than the national average, but how much lower is grossly overstated. No adjustments are made in these calculations between full-time and part-time employment—and Utah has the nation's highest rate of part-time employment. Also, no adjustments are made for age. Utah's labor force is the nation's youngest, and we all know that older workers make more money than younger workers. So naturally Utah's wages are going to compare lower. It's because we're younger, not poorer.

The new benefit of the LED data is that it allows us to dissect wages earned among different age groups. This reveals more insightful information. When Utah's data is compared against many other states', a pattern develops that shows earnings in Utah's younger age groups are generally below other states. However, the earnings of Utah's older age groups are much closer to, and in many cases higher than, other states. If you understand Utah's composition, the nation's composition, and how the market works, this actually all makes sense.

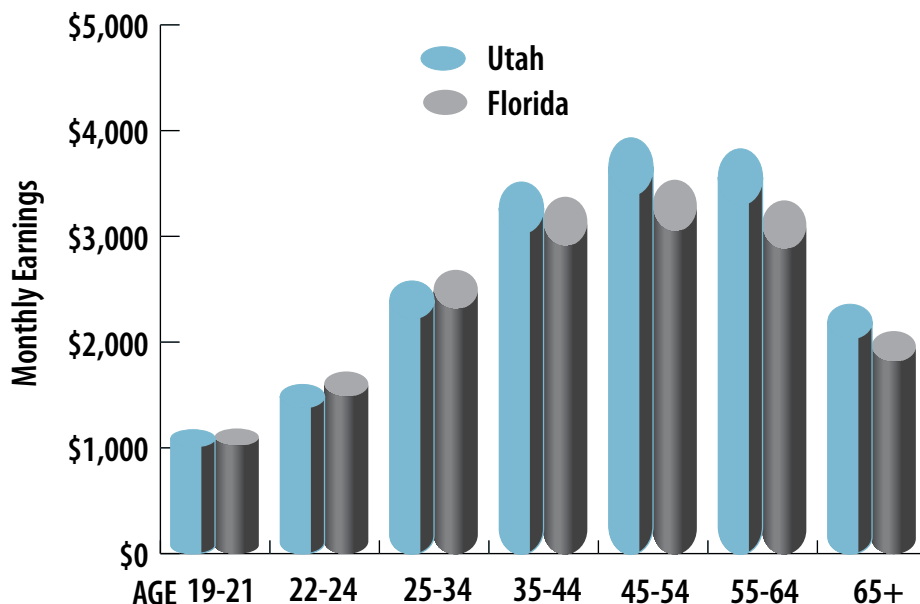
A quick economics lesson: If you have an excess of workers, businesses don't have to bid (wages) as high for those workers' services. Conversely, a shortage of workers produces an upward bidding process (offering higher wages). In Utah, we have an excess of young workers and a smaller pool of older workers. Therefore, following the logic of our economics lesson, Utah businesses don't have to offer as high a wage as many other states to lure young workers. Utah has them in excess. But as for older workers, Utah businesses have to pay more competitively for their services, because they are a less-abundant commodity in this state. ①





Average Monthly Earnings by Age Group

Average Between
Fourth Quarter 2004 and
Third Quarter 2005



Florida is used for comparison as its
population age composition is largely the
opposite of Utah's.

Source: U.S. Census Bureau, LED data